

## EMPLOYER ADVISORY COMMITTEE

### MINUTES

June 28, 2001

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#### **DRS Members Present:**

Dave Nelsen, Chairperson.

#### **Additional DRS Staff Present:**

Steve Nelsen, Legal/Legislative Services; Gayle McGee, Public Employee's Retirement System; Brian Berghoff, Employer Support Services; Jeff Wickman, Strategic Initiatives; Sheila Ehrig, Retirement Services; Anne Holdren, Deferred Compensation Program; Rachel Nesse, Public Employee's Retirement System; Scott Koura, Public Employee's Retirement System; Margaret Wimmer, Teachers' Retirement System; Michelle Hardesty, Employer Support Services.

#### **Employer Members Present:**

Les Adams and Cindy Lee, King County; Joanne Amrine, Chehalis School District; Margo Anderson, Highline Community College; Bob Andrews and Terry Schaefer, Kent School District; Mary Christle, Educational Service District; Shelley Foutz, Pierce County; Tom Gaines, Washington School Information Processing Cooperative (WSIPC); John Goetz, Center for Information Services; Chandra Horan, Port of Seattle; Colleen Marten, Washington State Patrol; Debbie Meach, Human Resources Information Systems Division (HRISD); Michelle Mortimer, City of Olympia; Nancy Savage, Pierce County; Reagan Ulrich, Chelan County PUD 01; Jean Yeager, Department of Agriculture.

#### **Employer Members Not Present:**

Paulette Gilliam, University of Washington; Brigitte Hoopes, City of Kent; Sally Spangler, Washington State Patrol.

#### **Agenda Items:**

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| • Legislative Summary<br><i>Steve Nelsen</i>           | • Deferred Compensation Program<br>Changes<br><i>Anne Holdren</i> |
| • PERS 3 Update<br><i>Gayle McGee</i>                  | • Issues or Concerns<br><i>Committee</i>                          |
| • SERS Wrap-Up<br><i>Jeff Wickman and Sheila Ehrig</i> | • Agenda Items for Next Meeting<br><i>Committee</i>               |

**LEGISLATIVE SUMMARY**

Steve Nelsen passed out a handout called "Summary of Current Pension Legislation". There will be a third special session, in which transportation will be the main discussion. The following are two major bills that were passed in the second special session that Steve discussed with the committee:

**Post-Retirement Employment**

The Post-Retirement Employment bill allows PERS Plan 1 and TRS Plan 1 retirees to work 1,500 hours per year and TRS Plans 2/3, SERS Plan 2/3 and PERS Plan 2 to work 867 hours per year after they retire without reduction in their pension. Upon retirement, the retiree must remain retired for one full calendar month prior to making a commitment to return to service. If a Plan 1 retiree works more than 867 hours in a year, the employer will have to pay employer contributions.

**Contribution Rates**

This bill reduces the retirement plan contribution rates for employers and members of several retirement plans.

**For employees:****Effective July 1, 2001**

- Public Employees' Retirement System (PERS) Plan 2 rate drops from 2.43% to 0.88%.
- Law Enforcement Officers and Fire Fighters (LEOFF) Plan 2 rate drops from 6.78% to 4.50%.

**Effective September 1, 2001**

- School Employees' Retirement System (SERS) plan 2 rate drops from 2.43% to 0.88%.
- Teachers' Retirement System (TRS) Plan 2 rate drops from 3.01% to 1.23%.

**For employers:****Effective July 1, 2001**

- PERS Plan 1 and 2 rate drops from 4.44% to 1.54%.
- LEOFF Plan 2 rate drops from 4.07% to 2.70% and the state rate drops from 2.71% to 1.80%.

**Effective September 1, 2001**

- SERS Plan 2 and 3 rate drops from 4.44% to 1.54%.
- TRS (all three plans) rate drops from 7.10% to 2.75%.

**Note: The employer contribution rates do not reflect the .23% administrative rate.**

Please call Dave Nelsen at (360) 664-7163 or 1-800-547-6657 ext. 47163 or Steve Nelsen at (360) 664-7308 if you have any questions.

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) 3 UPDATE**

Gayle McGee wanted to thank the employers for submitting the updated member addresses. The following are some highlights of the PERS 3 update:

- September 2001 the expanded Web site will be up.

- September 2001 the letters will be mailed out to members who can restore previously withdrawn service to remind them of this opportunity and the benefits of doing it before transferring to Plan 3.
- Early December 2001 the Phase 1 (state agencies and higher education) sample transfer education packets will be mailed to the employers.
- Late December 2001 the members will receive the packets along with the modeling software.
- Employers will receive extra packets for new hires.
- Late February 2002 the 90-day plan choice packets will be distributed.
- End of August 2001 the employer update for both phases will be mailed out.
- DRS is in the process of identifying WACs.
- In December 2001, there will be two hearings for WAC proposals.

If you have any questions or suggestions, please call Rachel Nesse at (360) 664-7934.

### **SCHOOL EMPLOYEES' RETIREMENT SYSTEM (SERS) WRAP-UP AND DATA ANALYSIS**

Jeff Wickman and Sheila Ehrig gave a "SERS Transfer Education and Transfer Demographics" presentation (handout was provided). The following are some of the highlights:

- Most SERS members live West of the Cascades.
- About 80% of SERS members are women.
- About half the members are over 45 years old.
- Most members earn between \$1,500 and \$3,000 per month (only 11% earn more).
- A little over 40% of those eligible transferred to Plan 3.
- Transfer rates were higher East of the Cascades (women transferred at a higher rate than men).
- Those with higher earnings transferred at a higher rate. At all wage levels, older members transferred at a higher rate.
- Within all earning levels, women transferred at a greater rate than men.
- More than half of those transferring to Plan 3 chose the lowest contribution rate.
- Older workers more frequently chose higher rates (women chose higher rates more frequently than men).
- The lowest paid workers were the most likely to choose higher contribution rates (this was true for both men and women).

### **DEFERRED COMPENSATION PROGRAM CHANGES (Handouts)**

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) brings many key changes to retirement plans and some of the changes are as follows:

- The annual deferral limit is increased to \$11,000; annual increases to \$15,000 by 2006.
- The maximum deferral is increased to 100% of compensation.
- The "catch up" increased in the last three years prior to reaching normal retirement age to double the current annual contribution limit. (\$22,000 in 2002, phased into \$30,000 by 2006).
- Provides a new "catch up" provision for employees age 50 and over that allows an additional deduction of \$1,000 (phased into \$5,000 by 2006). **Note: This new provision is not available while using other "catch up" provisions.**
- Allows distributions from the plan to be rolled over to IRAs and the qualified retirement plans of a new employer such as 403(b) and 401(k) plans.

- Revises distribution rules to provide flexibility in payment schedules and updates minimum distribution requirements.

### **ISSUES OR CONCERNS**

The following were issues or concerns that were raised at the meeting:

- DRS will not be participating in the compressed work schedule pilot for July and August.
- The committee members did not have any major problems with DRS working Monday-Thursday with Fridays off.
- Employers who have many subdivisions, are they one employer or separate employers? (Pierce County distinguishes the different entities by the tax identification number.)
- DRS will be getting the retiree technical requirements out as soon as possible.

### **The Next Meeting**

The next EAC meeting is scheduled for September 27, 2001, from 9:30 a.m. to 3:30 p.m., at the DRS Point Plaza West building located at 6835 Capitol Boulevard in Tumwater. Please see the map to DRS on the EAC Web site for directions to the facility.

### **There Were No Proposed Agenda Items for the September 27, 2001, Meeting**

A confirmed agenda will be available on the Employer Advisory Committee Web site in early September 2001.

### **Parking for the meetings**

There are visitor's parking spaces located in front of the building. You may also park in any stall that is not marked for another agency such as DSHS or OFM.

### **Questions**

If you have any questions, please contact Dave Nelsen at (360) 664-7163, 1-800-547-6657 ext. 47163 or by e-mail at [daven@drs.wa.gov](mailto:daven@drs.wa.gov).